

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION – DETROIT

2014 APR -1 A 11: 36

In the matter of:

CITY OF DETROIT, MICHIGAN  
U.S. BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN – DETROIT

Case No. 13-53846-swr  
Chapter 9  
Hon. STEVEN W. RHODES

Debtor \_\_\_\_/

**OBJECTION TO CITY OF DETROIT'S DISCLOSURE STATEMENT  
WITH RESPECT TO PLAN OF ADJUSTMENT [DOCKET 2709]**

FILED BY: Steve Babson, Detroit Eviction Defense

\_\_\_\_ hereby states his/her/their OBJECTION TO:  
CITY OF DETROIT'S DISCLOSURE STATEMENT WITH RESPECT TO PLAN OF  
ADJUSTMENT [DOCKET 2709]

for the following reasons.

1. I / we am/are interested in the Bankruptcy of the City of Detroit because:

I am a resident of Detroit and a volunteer organizer in Detroit Eviction Defense, a network of homeowners and community activists opposing the unjust and fraudulent practices of the mortgage banking industry in Detroit

2. I / we object to the above filing because:

The City of Detroit's Disclosure Statement and Plan of Adjustment speaks of blight and calls for the demolition of abandoned homes, but it fails to address two major causes of that blight: predatory lending by mortgage originators, and foreclosure fraud by mortgage servicers. A valid Plan of Adjustment should 1) seek damages for these lethal practices, which have devastated neighborhoods, destroyed much of the city's tax base, and contributed to Detroit's bankruptcy, and 2) take action to prevent future blight by seeking an emergency moratorium on foreclosure and eviction from owner-occupied homes.

The evidence that predatory lending, mass foreclosure, and fraud have contributed to the devastation of Detroit's neighborhoods and tax base is undeniable:

- Detroit has lead the nation in default of the sub-prime loans that Countrywide and other predatory lenders foisted on African-American, Hispanic, and elderly homeowners. (Comptroller of the Currency, *Worst Ten in the Worst Ten*)
- The mortgage foreclosure rate in metro Detroit is triple the national average, forcing more than 130,000 families from their homes between April of 2009 and January of 2013. Of 70,000 foreclosed homes in the city of Detroit, an estimated 45,000 were vacant in January of 2013, weeks before appointment of an emergency manager. (HUD, *Spotlight on the Housing Market in the Detroit-Warren-Livonia, Michigan, MSA*, Jan. 2013)

- The five largest banks servicing the majority of residential mortgages in the U.S. have acknowledged that their fraudulent foreclosure practices forced millions of Americans from their homes, including those who should have qualified for relief under the federal government's HAMP programs. The National Mortgage Settlement to which these banks agreed in 2013 recovered damages for homeowners and states impacted by these practices between 2009 and 2011. It did not, however, release the banks from claims related to fair housing laws or claims concerning impairment of tax collection. Nor were mortgages owned by Fannie Mae and Freddie Mac included in the settlement.
- Fannie Mae and Freddie Mac own or guarantee 58% of all residential mortgages in the United States. Since 2008, they have been the principal foreclosing parties in Detroit, represented by the same servicers whose fraudulent practices were the subject of the National Mortgage Settlement.
- As foreclosing parties seeking repossession of mortgaged property, the banks, Fannie Mae, and HUD are the largest non-city owner of homes in Detroit, and the largest holder of homes in or at-risk of tax foreclosure. Thousands of homeowners who might have saved their home through modification or forbearance were foreclosed and their homes stripped by scavengers. The consequent blight has driven down property values and eroded the city's tax base.

A valid Plan of Adjustment for Detroit has to recognize and address these contributing causes of the city's catastrophic decline in tax revenues. The necessary measures include:

- The city should seek damages from Fannie Mae and Freddie Mac for their continuing acquiescence and participation in the fraudulent actions of banks and other contractors servicing their loans.
- The city should seek damages from mortgage originators who targeted Detroit residents, the overwhelming majority of them African American, for predatory and discriminatory loans that disproportionately harmed Detroit citizens.
- To prevent further damage to the city's neighborhoods and tax base, the city should seek emergency assistance from the state government to halt foreclosure and eviction from owner-occupied homes.

3. I have not attached additional sheets to explain and establish my position.

I hereby certify that the statements made herein are true and correct under penalty of perjury and contempt of Court under the laws of the United States of America.

Wherefore I/ we request the Court will deny the relief sought in said filing.

Name: Steve Babson

Signature: 

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Dated: 4/1/14